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March 8, 2016

Board of Directors  
Community Harvest Food Bank of Northeast Indiana, Inc.  
P.O. Box 10967  
Fort Wayne, IN 46855

We have reviewed the audit report prepared by Krouse, Kern & Co., Inc., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Community Harvest Food Bank of Northeast Indiana, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**COMMUNITY HARVEST FOOD BANK  
OF NORTHEAST INDIANA, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2015 and 2014

**COMMUNITY HARVEST FOOD BANK  
OF NORTHEAST INDIANA, INC.**

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October 5, 2015

To the Board of Directors of  
Community Harvest Food Bank  
of Northeast Indiana, Inc.  
Fort Wayne, Indiana

## INDEPENDENT AUDITOR'S REPORT

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Community Harvest Food Bank of Northeast Indiana, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Compliance Guidelines for Examination of Entities Receiving Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Harvest Food Bank of Northeast Indiana, Inc. as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
KROUSE, KERN & CO., INC.

**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statements of Financial Position  
June 30, 2015 and 2014

<b>ASSETS</b>		
<b><i>CURRENT ASSETS:</i></b>	2015	2014
Cash and cash equivalents – unrestricted	\$ 61,340	\$ 220,050
Cash and cash equivalents – restricted	599,913	1,346,097
Investments – time deposits (at cost)	-	6,656
Receivables:		
Shared maintenance fees (net)	83,643	52,857
Reimbursement requests	38,089	47,785
Grants	80,000	173,000
Pledges – capital campaign	85,900	483,241
Product Inventories:		
Purchased	39,027	38,967
Donated	937,871	462,166
Prepaid expenses	43,745	7,843
Total Current Assets	<u>1,969,528</u>	<u>2,838,662</u>
<b><i>PROPERTY AND EQUIPMENT — NET</i></b>	<u>6,464,905</u>	<u>5,432,407</u>
<b><i>NON-CURRENT ASSETS:</i></b>		
Investments – endowment	573,239	580,351
Pledges receivable – capital campaign	-	24,858
Total Other Non-Current Assets	<u>573,239</u>	<u>605,209</u>
<b><i>TOTAL ASSETS</i></b>	<u><u>\$ 9,007,672</u></u>	<u><u>\$ 8,876,278</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b><i>CURRENT LIABILITIES:</i></b>		
Accounts payable and accrued expenses	\$ 94,123	\$ 28,895
Deferred revenue	3,760	4,711
Total Current Liabilities	<u>97,883</u>	<u>33,606</u>
<b><i>NET ASSETS:</i></b>		
Unrestricted		
Undesignated	7,343,737	6,008,377
Board designated – emergency fund	227,000	227,000
Board designated – endowment fund	557,906	565,018
Total Unrestricted	<u>8,128,643</u>	<u>6,800,395</u>
Temporarily restricted	765,813	2,026,944
Permanently restricted – endowment	15,333	15,333
Total Net Assets	<u>8,909,789</u>	<u>8,842,672</u>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<u><u>\$ 9,007,672</u></u>	<u><u>\$ 8,876,278</u></u>

See Notes to Financial Statements.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Statement of Activities for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	% of Total Support and Revenue
<b><i>SUPPORT AND REVENUE:</i></b>					
<u>Support:</u>					
Contributions	\$ 1,408,595	\$ 67,801	\$ -	\$ 1,476,396	51.0%
Grants	167,295	100,000	-	267,295	9.2%
Pledges – capital campaign	-	736	-	736	0.0%
Contributions – in kind	5,740	-	-	5,740	0.2%
Fundraising activities	288,231	-	-	288,231	10.0%
Investment income	7,327	386	-	7,713	0.3%
Realized gain on investments	4,478	236	-	4,714	0.2%
Unrealized gain (loss) on investments	(18,562)	(977)	-	(19,539)	-0.7%
Gain on disposal of fixed assets	1,003	-	-	1,003	0.0%
Other income	14,640	-	-	14,640	0.5%
Appropriated earnings	(355)	355	-	-	0.0%
Net assets released from restrictions	1,429,668	(1,429,668)	-	-	0.0%
Total Support	3,308,060	(1,261,131)	-	2,046,929	70.7%
<u>Revenue:</u>					
Agency shared maintenance	849,749	-	-	849,749	29.3%
Total Support and Revenue	4,157,809	(1,261,131)	-	2,896,678	100.0%
<b><i>EXPENSES:</i></b>					
Program services	2,671,835	-	-	2,671,835	80.7%
Management and general	299,526	-	-	299,526	9.0%
Fundraising	340,283	-	-	340,283	10.3%
Total Operating Expenses	3,311,644	-	-	3,311,644	100.0%
<b><i>EXCESS OF SUPPORT AND REVENUE OVER EXPENSES</i></b>	846,165	(1,261,131)	-	(414,966)	
<b><i>PRODUCT DONATED AND DISTRIBUTED:</i></b>					
Value of in-kind product donations	19,371,408	-	-	19,371,408	
Value of product distributed	(18,889,325)	-	-	(18,889,325)	
<b><i>EXCESS OF PRODUCT DISTRIBUTED OVER PRODUCT DONATED</i></b>	482,083	-	-	482,083	
<b><i>CHANGE IN NET ASSETS</i></b>	1,328,248	(1,261,131)	-	67,117	
<b><i>NET ASSETS – BEGINNING OF YEAR</i></b>	6,800,395	2,026,944	15,333	8,842,672	
<b><i>NET ASSETS – END OF YEAR</i></b>	\$ 8,128,643	\$ 765,813	\$ 15,333	\$ 8,909,789	

See Notes to Financial Statements.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Statement of Activities for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	% of Total Support and Revenue
<b><i>SUPPORT AND REVENUE:</i></b>					
<u>Support:</u>					
Contributions	\$ 1,076,836	\$ 189,554	\$ -	\$ 1,266,390	32.7%
Grants	266,383	50,000	-	316,383	8.2%
Pledges – capital campaign	-	747,525	-	747,525	19.3%
Contributions – in kind	7,695	-	-	7,695	0.2%
Fundraising activities	365,729	-	-	365,729	9.5%
Investment income	11,835	303	-	12,138	0.3%
Realized gain on investments	4,478	419	-	4,897	0.1%
Unrealized loss on investments	(18,562)	-	-	(18,562)	-0.5%
Other income	120,945	-	-	120,945	3.1%
Appropriated earnings	722	(722)	-	-	0.0%
Net assets released from restrictions	881,408	(881,408)	-	-	0.0%
Total Support	2,717,469	105,671	-	2,823,140	72.9%
<u>Revenue:</u>					
Agency shared maintenance	1,045,665	-	-	1,045,665	27.1%
Total Support and Revenue	3,763,134	105,671	-	3,868,805	100.0%
<b><i>EXPENSES:</i></b>					
Program services	2,626,875	-	-	2,626,875	80.0%
Management and general	284,772	-	-	284,772	8.7%
Fundraising	370,278	-	-	370,278	11.3%
Total Operating Expenses	3,281,925	-	-	3,281,925	100.0%
<b><i>EXCESS OF SUPPORT AND REVENUE OVER EXPENSES</i></b>	481,209	105,671	-	586,880	
<b><i>PRODUCT DONATED AND DISTRIBUTED:</i></b>					
Value of in-kind product donations	17,616,826	-	-	17,616,826	
Value of product distributed	(18,114,822)	-	-	(18,114,822)	
<b><i>EXCESS OF PRODUCT DONATED OVER PRODUCT DISTRIBUTED</i></b>	(497,996)	-	-	(497,996)	
<b><i>CHANGE IN NET ASSETS</i></b>	(16,787)	105,671	-	88,884	
<b><i>NET ASSETS – BEGINNING OF YEAR</i></b>	6,817,182	1,921,273	15,333	8,753,788	
<b><i>NET ASSETS – END OF YEAR</i></b>	\$ 6,800,395	\$ 2,026,944	\$ 15,333	\$ 8,842,672	

See Notes to Financial Statements.



**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2015

	Program Services				
	General		Kid's	Community	Farm
	Operations	Seniorpak	Café	Cupboard	Wagon
Salaries and wages	\$ 783,595	\$ 47,602	\$ 19,506	\$ 106,385	\$ 43,423
Casual labor	67,018	-	-	-	-
Benefits and taxes	156,608	11,049	3,549	19,783	7,048
Total Personnel Expense	1,007,221	58,651	23,055	126,168	50,471
Building expense	69,884	-	-	-	-
Depreciation	182,898	7,838	13,064	15,677	10,451
Fees and licenses	13,210	403	113	1,095	323
Freight and storage	480	-	-	-	-
Insurance	17,031	-	-	-	-
Legal and professional fees	18,594	1,088	542	1,767	582
Maintenance and repairs	20,514	-	-	-	-
Marketing/public relations	12,719	-	-	-	-
Miscellaneous	23,885	-	67,285	669	1,986
Office equipment lease/rent	2,124	-	-	-	-
Office supplies, postage and printing	20,038	1,739	1,550	2,558	1,205
Outside services	22,080	1,680	482	2,699	1,042
Product purchases	626,713	-	-	-	-
Telephone and utilities	61,202	4,227	1,177	6,801	2,415
Travel and meetings	3,655	87	143	1,936	-
Uniforms	28,700	-	-	-	-
Vehicle expenses	68,352	-	7,744	-	-
Warehouse equipment lease/rent	53,822	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,253,122</b>	<b>\$ 75,713</b>	<b>\$ 115,155</b>	<b>\$ 159,370</b>	<b>\$ 68,475</b>

(Continued)

**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2015

	Total Program Services	Management and General	Fund Raising	Total Functional Expenses
Salaries and wages	\$ 1,000,511	\$ 112,085	\$ 144,278	\$ 1,256,874
Casual labor	67,018	-	-	67,018
Benefits and taxes	198,037	62,230	33,454	293,721
Total Personnel Expense	1,265,566	174,315	177,732	1,617,613
Building expense	69,884	-	-	69,884
Depreciation	229,928	23,516	7,838	261,282
Fees and licenses	15,144	18,557	1,190	34,891
Freight and storage	480	-	-	480
Fundraising expenses	-	-	96,537	96,537
Insurance	17,031	40,289	-	57,320
Legal and professional fees	22,573	17,532	2,259	42,364
Maintenance and repairs	20,514	-	-	20,514
Marketing/public relations	12,719	-	-	12,719
Miscellaneous	93,825	855	75	94,755
Office equipment lease/rent	2,124	-	-	2,124
Office supplies, postage and printing	27,090	4,526	8,359	39,975
Outside services	27,983	3,828	3,331	35,142
Product purchases	626,713	-	-	626,713
Telephone and utilities	75,822	11,300	9,911	97,033
Travel and meetings	5,821	4,808	33,051	43,680
Uniforms	28,700	-	-	28,700
Vehicle expenses	76,096	-	-	76,096
Warehouse equipment lease/rent	53,822	-	-	53,822
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 2,671,835</u>	<u>\$ 299,526</u>	<u>\$ 340,283</u>	<u>\$ 3,311,644</u>

See Notes to Financial Statements.

**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2014

	Program Services				
	General Operations	Seniorpak	Kid's Café	Community Cupboard	Farm Wagon
Salaries and wages	\$ 676,099	\$ 46,944	\$ 39,728	\$ 104,836	\$ 49,765
Casual labor	108,247	-	-	-	-
Benefits and taxes	148,530	10,591	8,177	22,038	11,037
Total Personnel Expense	932,876	57,535	47,905	126,874	60,802
Building expense	42,680	-	-	-	-
Depreciation	184,016	7,886	13,144	15,773	10,515
Fees and licenses	16,393	285	240	975	240
Freight and storage	5,719	-	-	-	-
Insurance	41,311	-	-	-	-
Legal and professional fees	27,544	2,078	1,667	4,111	2,137
Maintenance and repairs	27,539	-	-	-	-
Marketing/public relations	17,166	-	-	-	-
Miscellaneous	11,860	-	43,956	153	1,205
Office equipment lease/rent	2,124	-	-	-	-
Office supplies, postage and printing	23,138	3,314	1,303	3,581	1,268
Outside services	19,574	1,430	1,006	2,471	1,482
Product purchases	588,060	-	-	-	-
Telephone and utilities	64,846	4,452	2,862	8,370	3,955
Travel and meetings	9,529	14	278	-	-
Uniforms	32,838	-	-	-	-
Vehicle expenses	90,498	-	7,133	-	-
Warehouse equipment lease/rent	48,764	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,186,475</b>	<b>\$ 76,994</b>	<b>\$ 119,494</b>	<b>\$ 162,308</b>	<b>\$ 81,604</b>

(Continued)

**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2014

	Total Program Services	Management and General	Fund Raising	Total Functional Expenses
Salaries and wages	\$ 917,372	\$ 143,181	\$ 150,795	\$ 1,211,348
Casual labor	108,247	-	-	108,247
Benefits and taxes	200,373	50,153	32,805	283,331
Total Personnel Expense	1,225,992	193,334	183,600	1,602,926
Building expense	42,680	-	-	42,680
Depreciation	231,334	23,661	7,886	262,881
Fees and licenses	18,133	19,088	1,306	38,527
Freight and storage	5,719	-	-	5,719
Fundraising expenses	-	-	115,201	115,201
Insurance	41,311	15,825	-	57,136
Legal and professional fees	37,537	4,637	9,455	51,629
Maintenance and repairs	27,539	-	-	27,539
Marketing/public relations	17,166	-	-	17,166
Miscellaneous	57,174	2,317	75	59,566
Office equipment lease/rent	2,124	-	-	2,124
Office supplies, postage and printing	32,604	7,890	9,250	49,744
Outside services	25,963	3,521	4,112	33,596
Product purchases	588,060	-	-	588,060
Telephone and utilities	84,485	10,987	13,424	108,896
Travel and meetings	9,821	3,512	25,969	39,302
Uniforms	32,838	-	-	32,838
Vehicle expenses	97,631	-	-	97,631
Warehouse equipment lease/rent	48,764	-	-	48,764
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,626,875</b>	<b>\$ 284,772</b>	<b>\$ 370,278</b>	<b>\$ 3,281,925</b>

See Notes to Financial Statements.

**COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

Statements of Cash Flows  
for the years ended June 30, 2015 and 2014

<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 67,117	\$ 88,884
Adjustments to Reconcile Change in Net Assets to		
Net Cash Flows From Operating Activities:		
Depreciation	261,282	262,881
(Gain) loss on disposal of fixed assets	(1,003)	(1,772)
Unrealized (gain) loss on investments	19,539	(59,565)
Realized gain on investments	(4,714)	(9,417)
In-kind donations – change in inventory	(475,705)	426,472
Changes in Operating Assets and Liabilities:		
Receivables	494,109	662,901
Inventory – purchased	(60)	15,747
Prepaid expenses	(35,902)	(761)
Accounts payable and accrued expenses	65,228	15,639
Deferred revenue	(951)	3,155
Net Cash Flows From Operating Activities	<u>388,940</u>	<u>1,404,164</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES:</i></b>		
Capital expenditures	(1,300,059)	(755,802)
Proceeds from sale of fixed assets	7,282	3,080
Reinvested investment earnings	(7,713)	(12,138)
Proceeds from sale of investments – time deposits	6,656	(14)
Net transfer of endowment earnings	-	722
Net Cash Flows From Investing Activities	<u>(1,293,834)</u>	<u>(764,152)</u>
<b><i>NET CHANGE IN CASH</i></b>	<b>(904,894)</b>	<b>640,012</b>
<b><i>CASH AND CASH EQUIVALENTS — BEGINNING OF YEAR</i></b>	<u><b>1,566,147</b></u>	<u><b>926,135</b></u>
<b><i>CASH AND CASH EQUIVALENTS — END OF YEAR</i></b>	<u><u><b>\$ 661,253</b></u></u>	<u><u><b>\$ 1,566,147</b></u></u>
<b><i>NON-CASH TRANSACTIONS:</i></b>		
In-kind value of donated product received	\$ 19,371,408	\$ 17,616,826
In-kind value of donated product distributed	(18,889,325)	(18,114,822)
In-kind value of change in donated inventory	<u>(957,788)</u>	<u>924,468</u>
<b>DECREASE (INCREASE) IN VALUE OF DONATED INVENTORY</b>	<u><u><b>\$ (475,705)</b></u></u>	<u><u><b>\$ 426,472</b></u></u>

See Notes to Financial Statements.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements

### NOTE 1. NATURE OF ACTIVITIES

Community Harvest Food Bank of Northeast Indiana, Inc. (the Organization) is a nonprofit organization dedicated to providing a food distribution center for feeding sites and food pantries in northeast Indiana. The Organization receives food from local businesses and the national food bank network. The food is available to local nonprofit organizations for free distribution to the needy. The Organization's support comes primarily from grants, contributions and fees from member agencies for shared maintenance costs.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***BASIS OF ACCOUNTING:***

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly revenues are recognized when earned and expenses are recognized when incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

#### ***BASIS OF PRESENTATION:***

The financial statements have been prepared in accordance with FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

#### **Unrestricted Net Assets:**

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

#### **Temporarily Restricted Net Assets:**

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Permanently Restricted Net Assets:

Permanently restricted net assets are those that the donor stipulates must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization's meeting certain requirements.

#### ***USE OF ESTIMATES:***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***CONTRIBUTIONS:***

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and released in the same year are shown as unrestricted revenue in the statement of activities.

#### ***GRANTS:***

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However, the Board deems the contingency remote since, by accepting the gifts and their terms, it has accommodated the objectives of the Organization to the provisions of the gift.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***PROMISES TO GIVE:***

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

#### ***DEFERRED REVENUE:***

Deferred revenue results from payments for shared maintenance fees paid in advance for future purchases of product.

#### ***PROPERTY AND EQUIPMENT:***

Depreciation is computed over the estimated useful life of the assets using the straight-line method. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

#### ***CASH AND CASH EQUIVALENTS:***

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

#### ***ALLOWANCE FOR BAD DEBT:***

The Organization uses the reserve for bad debt method of valuing doubtful accounts receivable for shared maintenance fees that is based on historical experience, coupled with a review of the current status of existing receivables. Based on those factors, there is a provision for doubtful accounts of \$4,820 for the years ended June 30, 2015 and 2014.



# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:***

Community Harvest Food Bank is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. However, the Organization may be subject to federal and state income taxes on unrelated business income as defined in the Internal Revenue Code.

The Organization follows the provisions of Financial Accounting Standards Board ASC 740, Accounting for Uncertainty in Income Taxes (FASB ASC 740-10) which requires the Organization to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The Organization has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions as of June 30, 2015.

The Organization files information returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years before 2012.

#### ***DONATED MATERIALS AND SERVICES:***

Donated food is valued at the weighted average wholesale value per pound, computed and published annually by Feeding America at the national food bank networks level. The Organization also receives and distributes U.S. government commodities. Since the Organization acts as a pass-through for these items, they are not valued or included in the Statement of Financial Position.

Some donated services have not been reflected in the accompanying financial statements since no objective basis was available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time for the Organization's programs and fundraising campaigns.

#### ***INVENTORY:***

Inventories are valued at the lower of cost or market. The Organization has adopted the first-in, first-out (FIFO) method of accounting for inventories.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **INVESTMENTS:**

The Organization accounts for investments in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

#### **CREDIT RISK:**

The Organization provides credit to various groups in the Fort Wayne community and surrounding areas for the purchase of food and non-food items. No collateral is required from its customers. As of June 30, 2015 and 2014, the Organization had no significant concentrations of credit risk.

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. To reduce risk, the Organization maintains and places its cash and cash equivalents with highly rated institutions. At times, such amounts may be in excess of the FDIC insured limit. As of June 30, 2015 the Organization had \$431,803 in excess of federally insured limits.

### NOTE 3. RELATED PARTY TRANSACTIONS

In 2015 and 2014, the Organization paid \$18,013 and \$13,214, respectively, for information technology services to a business owned by a board member.

### NOTE 4. GRANTS AND PLEDGES RECEIVABLE

All grants and pledges due to the Organization are measured at present value of estimated future cash flows using a discount rate of 4%.

Collection of grant and pledge receivables as of June 30, 2015 are expected as follows:

	Grants	Pledges
Due in one year	\$ 80,000	\$ 85,900
Due within one to five years	-	-
	80,000	85,900
Less: Discount	-	-
	<u>\$ 80,000</u>	<u>\$ 85,900</u>

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 4. GRANTS AND PLEDGES RECEIVABLE (Continued)

Collection of grant and pledge receivables as of June 30, 2014 were expected as follows:

	Grants	Pledges
Due in one year	\$ 173,000	\$ 483,241
Due within one to five years	-	26,886
	173,000	510,127
Less: Discount	-	(2,028)
	<u>\$ 173,000</u>	<u>\$ 508,099</u>

### NOTE 5. ENDOWMENT

The Organization's endowment consists of two funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

## COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

### Notes to Financial Statements (Continued)

#### NOTE 5. ENDOWMENT (Continued)

##### **Interpretation of Relevant Law (Continued)**

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Organization.

##### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015.

##### **Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 5. ENDOWMENT (Continued)

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year five percent of its endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 565,018	\$ -	\$ 15,333	\$ 580,351
<u>Investment Return:</u>				
Investment income (net of expense)	7,327	386	-	7,713
Realized gain	4,478	236	-	4,714
Unrealized gain (loss)	(18,562)	(977)	-	(19,539)
Total Investment Return (Loss)	(6,757)	(355)	-	(7,112)
Amounts reclassified to unrestricted	(355)	355	-	-
Endowment Net Assets, End of Year	\$ 557,906	\$ -	\$ 15,333	\$ 573,239

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 484,620	\$ -	\$ 15,333	\$ 499,953
<u>Investment Return:</u>				
Investment income (net of expense)	11,835	303	-	12,138
Realized gain (loss)	8,998	419	-	9,417
Unrealized gain (loss)	59,565	-	-	59,565
Total Investment Return	80,398	722	-	81,120
Amounts appropriated for expenditure	-	(722)	-	(722)
Endowment Net Assets, End of Year	\$ 565,018	\$ -	\$ 15,333	\$ 580,351

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 5. ENDOWMENT (Continued)

Endowment balances consist of the following funds:

	Wells Fargo Endowment	Community Foundation of Greater Fort Wayne Endowment	Total Endowment
Balance at June 30, 2015	<u>\$ 414,181</u>	<u>\$ 159,058</u>	<u>\$ 573,239</u>
Balance at June 30, 2014	<u>\$ 417,207</u>	<u>\$ 163,144</u>	<u>\$ 580,351</u>

Under the provisions of FASB ASC 958-605-15, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, \$153,478 including \$72,622 in gains, has been contributed by the Community Foundation of Greater Fort Wayne for the Organization as of June 30, 2015. The matching contributions and gains have not been recognized in the Permanent Endowment Fund balance because the original provider of those funds is deemed to have granted the Foundation variance power to redirect the use of the funds, as it deems appropriate.

### NOTE 6. FAIR VALUE MEASUREMENTS

The Organization adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 6. FAIR VALUE MEASUREMENTS (Continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>June 30, 2015:</u>			
Domestic equity securities	\$ 275,533	\$ 275,533	\$ -
Fixed income	21,741	21,741	-
Money market accounts	15,240	15,240	-
Mutual funds	51,218	51,218	-
Real asset funds	50,449	50,449	-
Pooled funds – Community Foundation of Greater Fort Wayne	159,058	-	159,058
	<u>\$ 573,239</u>	<u>\$ 414,181</u>	<u>\$ 159,058</u>
<u>June 30, 2014:</u>			
Domestic equity securities	\$ 264,270	\$ 264,270	\$ -
Fixed income	33,175	33,175	-
Money market accounts	16,505	16,505	-
Mutual funds	55,192	55,192	-
Real asset securities	48,065	48,065	-
Pooled funds – Community Foundation of Greater Fort Wayne	163,144	-	163,144
	<u>\$ 580,351</u>	<u>\$ 417,207</u>	<u>\$ 163,144</u>

### NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose, time or property acquisition restrictions specified by donors as follows:

	2015	2014
Capital campaign assets placed in service	\$ 1,180,282	\$ 728,812
Capital campaign expenses	9,832	-
Equipment purchase	123,000	-
Kid's café	15,000	10,676
Operating support	90,000	130,051
Seniorpak	11,554	11,869
Total	<u>\$ 1,429,668</u>	<u>\$ 881,408</u>

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 7. TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets were available for the following purpose or time restrictions at June 30:

	2015	2014
Capital campaign assets and expenses	\$ 598,012	\$ 1,787,390
Equipment purchase	-	123,000
Holiday food	67,801	-
Kid's café	20,000	15,000
Seniorpak	-	11,554
	<u>685,813</u>	<u>1,936,944</u>
<u>Time Restrictions:</u>		
Operating support	<u>80,000</u>	<u>90,000</u>
Total	<u>\$ 765,813</u>	<u>\$ 2,026,944</u>

### NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014 are detailed as follows:

	2015	2014
<u>South Location – Tillman Road:</u>		
Autos and trucks	\$ 339,457	\$ 261,870
Building and improvements	3,917,752	3,917,753
Land and land improvements	556,932	573,473
Office furniture and equipment	238,790	274,041
Warehouse equipment	517,317	473,318
	<u>5,570,248</u>	<u>5,500,455</u>
<u>North Location – Coliseum Blvd:</u>		
Building	527,500	527,500
Building improvements	1,756,382	229,627
Land and land improvements	402,645	325,560
Furnishings and fixtures	126,446	108,523
Office furniture and equipment	45,881	4,210
Warehouse equipment	40,942	83,100
Construction in progress	69,856	503,414
	<u>2,969,652</u>	<u>1,781,934</u>
Total Property and Equipment	8,539,900	7,282,389
Less: Accumulated depreciation	<u>(2,074,995)</u>	<u>(1,849,982)</u>
Total Property and Equipment – Net	<u>\$ 6,464,905</u>	<u>\$ 5,432,407</u>



# **COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.**

## **Notes to Financial Statements (Continued)**

### **NOTE 8. PROPERTY AND EQUIPMENT (Continued)**

The primary purpose of the 36,000 square foot Produce Preservation Center located at 1010 N. Coliseum is to blanch/chill/freeze product. However, the property has the potential to add other food processing activities.

### **NOTE 9. LINE OF CREDIT**

The Organization had a \$1,000,000 line of credit with Star Financial Bank, which expired in fiscal year 2015 and was not renewed. The Organization did sign a new line of credit agreement with STAR for \$500,000 with an expiration date of July 1, 2017.

### **NOTE 10. TAX DEFERRED ANNUITY PLAN**

As of January 1, 2003 the Food Bank established a tax deferred annuity plan under Internal Revenue Code Section 403(b). Employees qualify after ninety days of service and regularly work at least thirty hours per week. Employees may elect salary reductions up to the legal limits. The Food Bank makes a matching contribution of 100% of the first three percent the employee puts in the plan. The maximum contribution on the Food Bank's behalf, therefore, is three percent of an employee's salary. The expense for June 30, 2015 and 2014 was \$24,389 and \$21,722, respectively.

### **NOTE 11. OPERATING LEASES**

The Organization leases two trucks with monthly payments totaling \$3,382 that expire in August 2021. The Organization has the option to opt out of the lease in case of an economic downturn after three years. Lease expense totaled \$33,820 for the year ended June 30, 2015. Future minimum lease payments due on the two truck leases for fiscal years 2016 through 2021 are \$40,584 each year with \$6,764 due in fiscal year 2022.

### **NOTE 12. BOARD DESIGNATION OF UNRESTRICTED NET ASSETS**

The Board of Directors has designated that \$227,000 as of June 30, 2015 and 2014, respectively, of unrestricted net assets be set aside as an emergency fund. This designation may be revoked at the discretion of the Board.

# COMMUNITY HARVEST FOOD BANK OF NORTHEAST INDIANA, INC.

## Notes to Financial Statements (Continued)

### NOTE 13. ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

#### Programs:

Includes the functions necessary to provide food distribution to feeding sites and food pantries.

#### Management and General:

Includes the functions necessary for management and overall direction of the Organization.

#### Fundraising:

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

### NOTE 14. RECLASSIFICATIONS

Certain reclassifications have been made to conform to the prior year's financial statements to the current year's presentation. These reclassifications have no effect on previously reported operating results.

### NOTE 15. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 5, 2015, the date the financial statements were available to be issued.